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Securities code: 6440  
March 1, 2018

**To All Shareholders:**

Akira Kiyohara  
Representative Director  
JUKI CORPORATION  
2-11-1, Tsurumaki, Tama-shi,  
Tokyo, Japan

**CONVOCATION NOTICE OF  
THE 103RD ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 103rd Ordinary General Meeting of Shareholders (the “Meeting”) of JUKI CORPORATION (the “Company”) to be held as indicated below.

**If you are unable to attend the Meeting, you may exercise your voting rights in writing. Please review the attached “Reference Materials for the Ordinary General Meeting of Shareholders”, indicate “for” or “against” for each of the proposals in the enclosed Voting Right Exercise Form, and return the form to us no later than 6:00 p.m., Friday, March 23, 2018 (Japan Standard Time).**

Thank you very much for your cooperation.

- 1. Date and Time:** March 26, 2018 (Monday) at 10:00 a.m.
- 2. Place:** Multi-purpose hall, 3rd floor of the East Tower of the Company’s Head Office, 2-11-1, Tsurumaki, Tama-shi, Tokyo, Japan
- 3. Meeting Agenda:**
  - Report matters:**
    1. The Business Report and the Consolidated Financial Statements for the 103rd Fiscal Year (January 1, 2017 to December 31, 2017), and the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
    2. Non-consolidated Financial Statements for the 103rd Fiscal Year (January 1, 2017 to December 31, 2017)

**Resolution matters:**

- First proposal:** Appropriation of Surplus  
**Second proposal:** Election of 6 Directors  
**Third proposal:** Election of 2 Substitute Audit & Supervisory Board Members

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- If you plan to attend the Meeting, please submit the enclosed Voting Right Exercise Form to the receptionist at the Meeting.
  - Any amendments to the Reference Materials for the Ordinary General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements, and Consolidated Financial Statements will be posted on the Company’s website (URL: <http://www.juki.co.jp>).

**(Attached materials)**

Business Report  
(January 1, 2017 to December 31, 2017)

**1. Overview of the JUKI Group (the “Group”)**

**(1) Business Progress and Results**

In the fiscal year 2017 (FY 2017), the Company posted consolidated net sales of 103,659 million yen (up by 6.1% from the same period of the previous fiscal year), as a result of the steady growth of economies of Europe, the U.S. and China, growth in demand of capital investment in the Company’s equipment especially in China and stable weak yen situation, etc.

With respect to profits, consolidated operating profit was 8,156 million yen (up by 75.3% from the same period of the previous fiscal year), a result of execution of sales activities by placing importance to profitability based on review of policy of business profitability, improvement to profitability due to cost-cutting, reductions of various expenses and other factors. Consolidated ordinary profit was 7,839 million yen (up by 159.4% from the same period of the previous fiscal year), and profit attributable to owners of parent was 5,642 million yen (up by 199.6% from the same period of the previous fiscal year), owing to factors including lower exchange losses accompanying the revaluation of foreign-currency-denominated receivables, which were significant in FY 2016.

Business results by major segment are as follows:

In order to respond to future changes in the business environment and build a business structure that sustainably can earn high revenues, the Company changed management framework and restructured business organizations in FY 2017. Namely, the two business segments, i.e. the “Sewing Machinery Business Unit” and the “Electronic Assembly Systems Business Unit”, respectively, have been reorganized into two new segments, i.e. the “Sewing Machinery and Systems Business Unit” and the “Industrial Equipment and Systems Business Unit”, for the purpose of strengthening solution business by means of including the business related to several integrated & sophisticated systems Business in the business area assigned to the two business segments.

**1) Sewing Machinery and Systems Business Unit**

On a regional basis, sales were sluggish in some regions in the Asian market, while sales grew in the high-end market in Europe, the U.S. and China. On a product basis, sales for the middle market of the apparel market declined, although sales in the non-apparel field were robust. As a result of these factors, net sales of the Sewing Machinery and Systems Business Unit amounted to 69,055 million yen (down by 0.3% from the same period of the previous fiscal year).

With respect of profits, ordinary profit was 5,881 million yen (up by 38.3% from the same period of the previous fiscal year), owing to improved profitability due to an increase in sales of high-end and high value-added products, sales activities pursuing profitability, and cost reductions, etc.

**2) Industrial Equipment and Systems Business Unit**

In electronic assembly systems, sales of new mounters and labor-saving devices tied to smart factory proposals increased significantly, supported by growth of demand in capital investment in China (the largest market) and other countries, while sales in the group business, such as contract manufacturing service, gradually increased due to developments and acquisition of new customers. As a result, net sales of the Industrial Equipment and Systems Business Unit amounted to 34,280 million yen (up by 21.8% from the same period of the previous fiscal year).

In terms of profits, ordinary profit was significantly improved as of 2,820 million yen (ordinary loss of 63 million yen in the same period of the previous fiscal year), due to improved profitability in conjunction with increased sales of new products, cost reduction effects by structural reforms carried out to date, and other factors.

**(2) Capital Investments**

Capital investment totaling 2,312 million yen was disbursed in FY 2017, including 1,005 million yen for machinery, equipment and vehicles, and 414 million yen for tools, furniture and fixtures.

### (3) Financing

Financing for FY 2017 was arranged using the Group's own funds and borrowings from financial institutions, etc.

### (4) Issues to Address

Based on the long-term vision, "To thrive in the 21st century as a global, innovative *Monodzukuri* (manufacturing) enterprise", the Company last year formulated the Medium-Term Management Plan "Value Up 2022", aiming to achieve continuous growth for the Group in the future. This Medium-Term Management Plan will serve as the basis for the Company's initiatives in becoming a "*Monodzukuri* enterprise also capable of elevating the corporate value of both JUKI and its customers through JUKI products and services" by 2022. To realize this goal, the Company defined the vision for the three years of FY 2017 to FY 2019 of the Medium-Term Management Plan as becoming "an enterprise that consistently provides customer-preferred, high-quality products and services.

During this fiscal year, in light of changes in the business environment and the status of the roll-out of the business plan, the Company has prepared the management plan covering the three years of FY 2018 through FY 2020 by means of revising FY 2017 to FY 2019 of the Medium-Term Management Plan. The Company will contribute its energies and efforts towards realizing the aforementioned vision "Becoming an enterprise that consistently provides customer-preferred, high-quality products and services".

The basic policies for the upcoming three years are the following six basic policies, comprising the existing policies and the one new policy of "building future customers base through developing the market".

- 1) Strengthening our value-creation capabilities through solution sales:
  - We will provide solutions (or added value) that satisfies customers' needs more and more by bolstering our ability to propose automation and systematization incorporating, applying utilizing AI, remote control, and other cutting-edge technologies in our hardware, software, services, etc.
- 2) Building future customers base through developing the market
  - We will make effort to increase the competitive power of products by developing cutting-edge technologies, reducing costs, etc. In addition, we will make effort to build stable customers base in the market by means of acquiring new customers and strengthening relationships with current customers, including customers in growing business fields such as the middle market and the in-car-related market (e.g. industry for sewing car seats), etc. effective in or looking toward the futures.
- 3) Creating new business categories and reinforcing them effective in or looking toward the future
  - We will make effort to develop new businesses through the group business, promote the parts business, and strengthen alliances, among other efforts.
- 4) Developing globally competent and innovative personnel and deploying them to fulfill our visions
  - We will advance group-wide personnel development and job rotations, and in addition will promote diversity, including utilizing and making national staff, female employees, experienced employees, and young employees play an active part vigorously.
  - By promoting health management, we will build innovative and active workforce and organization.
- 5) Constructing a smart business foundation
  - We will reduce costs by means of reforming supply chain management, reviewing the production and development processes, and will streamline administrative operations by promoting work style reforms, and will also promote environmental management on a group-wide basis, etc.
- 6) Building capital through strengthening our financial structure
  - We will use the efforts lower our interest-bearing debt by reducing inventories and through efficient group cash management operations, and we will enhance our profit-earning capability and capital.

We will address these issues through the concerted efforts of the Group, in order to meet the expectations of you, our shareholders. We, kindly, ask you for your further support and encouragement.

## (5) Changes in Assets and Profit (Loss)

### 1) Group

(million yen, except for per share amounts)

Item	The 100th fiscal year ended December 31, 2014	The 101st fiscal year ended December 31, 2015	The 102nd fiscal year ended December 31, 2016	The 103rd fiscal year ended December 31, 2017
Net sales	107,581	112,865	97,724	103,659
Ordinary profit	7,710	5,728	3,022	7,839
Profit attributable to owners of parent	6,058	3,853	1,883	5,642
Basic earnings per share	¥219.17	¥129.14	¥63.94	¥192.61
Total assets	130,751	119,281	111,365	110,554
Net assets	25,010	28,477	27,582	33,343
Net assets per share	¥804.10	¥927.63	¥921.78	¥1,117.07

- (Notes) 1. Basic earnings per share is calculated using the average number of shares issued during the fiscal year (excluding treasury shares). Net assets per share is calculated using the number of shares issued as of the end of the fiscal year (excluding treasury shares).
2. On July 1, 2015, the Company carried out a one-for-five common share consolidation. Basic earnings per share and net assets per share have been calculated as if the share consolidation had been carried out at the beginning of the 100th fiscal year.

### 2) Company

(million yen, except for per share amounts)

Item	The 100th fiscal year ended December 31, 2014	The 101st fiscal year ended December 31, 2015	The 102nd fiscal year ended December 31, 2016	The 103rd fiscal year ended December 31, 2017
Net sales	56,410	58,870	54,128	49,487
Ordinary profit	7,962	5,222	2,531	2,793
Profit (loss)	7,031	3,563	(722)	2,157
Basic earnings (loss) per share	¥254.37	¥119.42	¥(24.53)	¥73.66
Total assets	109,211	97,075	90,381	89,903
Net assets	25,919	29,498	27,513	29,172
Net assets per share	¥868.59	¥988.63	¥939.14	¥995.75

- (Notes) 1. Basic earnings (loss) per share is calculated using the average number of shares issued during the fiscal year (excluding treasury shares). Net assets per share is calculated using the number of shares issued as of the end of the fiscal year (excluding treasury shares).
2. On July 1, 2015, the Company carried out a one-for-five common share consolidation. Basic earnings (loss) per share and net assets per share have been calculated as if the share consolidation had been carried out at the beginning of the 100th fiscal year.

## (6) Principal Subsidiaries

### 1) Principal Subsidiaries

Company name	Capital	The Company's percentage of voting rights		Main business
		Direct	Indirect	
JUKI AUTOMATION SYSTEMS CORPORATION	(million yen) 2,618	91.8%	–	Sales of SMT systems, inspection equipment, printing equipment and others
JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION	300	100%	–	Manufacture and sales of SMT systems, inspection equipment, printing equipment and others
JUKI SALES (JAPAN) CORPORATION	86	100%	–	Sales of sewing machinery in Japan
JUKI SINGAPORE PTE. LTD.	U.S.\$29,435 thousand	100%	–	Sales of sewing machinery in Asian regions
JUKI (CHINA) CO., LTD.	RMB358,365 thousand	100%	–	Administration of subsidiaries in China and sales of sewing machinery
JUKI (SHANGHAI) INDUSTRIAL CO., LTD.	RMB196,148 thousand	27.5%	72.5%	Manufacture and sales of industrial sewing machines
JUKI AMERICA, INC.	U.S.\$26,346 thousand	100%	–	Sales of sewing machinery in the Americas
TOKYO JUKI INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	RMB5,001 thousand	100%	–	Sales of SMT systems, inspection equipment, printing equipment and others in China
JUKI CENTRAL EUROPE SP. ZO.O.	PLN50 thousand	100%	–	Sales of sewing machinery in European regions
JUKI (NINGBO) PRECISION CO., LTD.	RMB42,876 thousand	–	100%	Manufacture and sales of sewing machinery parts
JUKI (VIETNAM) CO., LTD.	U.S.\$5,000 thousand	100%	–	Manufacture and sales of industrial sewing machines, precision casting parts and others
JUKI XINXING INDUSTRY CO., LTD.	RMB160,000 thousand	–	89.9%	Manufacture and sales of industrial sewing machines

(Note) On July 1, 2017, JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION changed its company name from JUKI DENSHI KOGYO CORPORATION. In addition, JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION acquired two of wholly owned subsidiaries of JUKI DENSHI KOGYO CORPORATION through an absorption-type merger on the aforementioned date.

### 2) Status of Specified Wholly Owned Subsidiaries

No items to report.

## (7) Principal Businesses

Segment	Summary of business
Sewing Machinery and Systems Business Unit	Manufacture and sales of industrial sewing machines and household sewing machines
Industrial Equipment and Systems Business Unit	Manufacture and sales of electronics assembly & systems (mounters, inspection equipment and others), sales of parts, maintenance services and commissioned processing business

**(8) Principal Offices and Plants**

Company name	Office or plant	Location
JUKI CORPORATION	Head Office	Tokyo
	Ohtawara Plant	Tochigi
JUKI AUTOMATION SYSTEMS CORPORATION	Head Office	Tokyo
JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION	Head Office and Plant	Akita
JUKI SALES (JAPAN) CORPORATION	Head Office	Tokyo
JUKI SINGAPORE PTE. LTD.	Head Office	Singapore
JUKI (CHINA) CO., LTD.	Head Office	Shanghai, China
JUKI (SHANGHAI) INDUSTRIAL CO., LTD.	Head Office and Plant	Shanghai, China
JUKI AMERICA, INC.	Head Office	Florida, U.S.A.
TOKYO JUKI INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Head Office	Shanghai, China
JUKI CENTRAL EUROPE SP. ZO.O.	Head Office	Warsaw, Poland

**(9) Employees**

## 1) Group

(As of December 31, 2017)

Segment	Number of employees	Change from previous fiscal year-end
Sewing Machinery and Systems Business Unit	3,604	(138)
Industrial Equipment and Systems Business Unit	1,903	6
Other business	125	(7)
Corporate headquarters (common)	267	17
Total	5,899	(122)

(Note) The above figures include contract employees and part-timers and exclude dispatched employees.

## 2) Company

(As of December 31, 2017)

Number of employees	Change from previous fiscal year-end	Average age	Average years of service
894	48 persons increased	45.2 years old	20.4 years

(Note) The above figures include contract employees and part-timers and exclude dispatched employees.

**(10) Major Creditors and Balance of Borrowings**

(As of December 31, 2017)

Creditor	Balance of borrowings (million yen)
Mizuho Bank, Ltd.	15,829
Sumitomo Mitsui Trust Bank, Limited	6,684
Mizuho Trust & Banking Co., Ltd.	4,461
The Hiroshima Bank, Ltd.	4,083
Development Bank of Japan Inc.	3,756
The Hokuto Bank, Ltd.	2,423

## 2. Status of Shares (As of December 31, 2017)

- (1) **Total Number of Authorized Shares** 80,000,000 shares
- (2) **Total Number of Issued Shares** 29,874,179 shares  
(including 577,787 treasury shares)
- (3) **Number of Shareholders** 8,950 persons
- (4) **Major Shareholders (Top 10)**

Shareholder name	Number of shares	Shareholding ratio
	thousand shares	%
Japan Trustee Services Bank, Ltd. (Trust Account)	2,976	10.16
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	1,493	5.09
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,180	4.02
Mizuho Bank, Ltd.	938	3.20
Nippon Life Insurance Company	732	2.49
GOVERNMENT OF NORWAY	631	2.15
Asahi Mutual Life Insurance Company	569	1.94
Japan Trustee Services Bank, Ltd. (Trust Account 5)	565	1.92
The Dai-ichi Life Insurance Company, Limited	511	1.74
Meiji Yasuda Life Insurance Company	460	1.57

(Note) The shareholding ratio is calculated by means of deducting treasury shares (577,787 shares) from the number of the issued shares.



### 3. Company Officers

#### (1) Directors and Audit & Supervisory Board Members

(As of December 31, 2017)

Position	Name	Areas of responsibility within the Company	Significant concurrent positions
Representative Director and President	Akira Kiyohara		President of JUKI AUTOMATION SYSTEMS CORPORATION
Director and Managing Officer	Naotake Miyashita	“In charge of Business Operation Center (Sewing Machinery and Systems Business Unit)”, Executive Unit Officer of Sewing Machinery and Systems Business Unit, Company President of Knitwear Machinery and Apparel Company, Sewing Machinery and Systems Business Unit and “In charge of Business Operation Center (Customer Business Company)”	Director of JUKI (CHINA) CO., LTD.
Director and Managing Officer	Minoru Wada	“In charge of Development Center” and “In charge of Quality Assurance Dept.”	
Director and Managing Officer	Shinsuke Uchinashi	“In charge of Global Cooperate Center (Finance & Accounting Dept.)”, “In charge of Business Operation Center (Group Business Company)” and “In charge of Production Center”	
Director	Kazumi Nagasaki		
Director	Yutaka Hori		Attorney Executive and Vice President, National University Corporation Chiba University Commissioner of Public Interest Corporation Commission (PICC) of the Cabinet Office Outside Director of FIDEA Holdings Co. Ltd. Outside Director of Pasona Group Inc.
Audit & Supervisory Board Member (Full-time)	Yoshihiro Otake		Audit & Supervisory Board Member of JUKI AUTOMATION SYSTEMS CORPORATION

Position	Name	Areas of responsibility within the Company	Significant concurrent positions
Audit & Supervisory Board Member (Full-time)	Hirofumi Gotoh		Audit & Supervisory Board Member of JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION, Auditor of JUKI (CHINA) CO., LTD. and Auditor of TOKYO JUKI INTERNATIONAL TRADING (SHANGHAI) CO., LTD.
Audit & Supervisory Board Member	Masato Tanaka		Attorney
Audit & Supervisory Board Member	Yasuaki Isobe		

- (Notes) 1. Director Mr. Shinsuke Uchinashi and Audit & Supervisory Board Member Mr. Hirofumi Gotoh were newly elected and assumed their respective positions at the 102nd Ordinary General Meeting of Shareholders held on March 28, 2017.
2. Directors, Mr. Kazumi Nagasaki and Mr. Yutaka Hori, are Outside Directors as defined in Item 15 of Article 2 of the Companies Act.
3. Directors, Mr. Kazumi Nagasaki and Mr. Yutaka Hori, are such independent directors as specified by the Tokyo Stock Exchange.
4. Audit & Supervisory Board Members, Mr. Masato Tanaka and Mr. Yasuaki Isobe, are Outside Audit & Supervisory Board Members as defined in Item 16 of Article 2 of the Companies Act.
5. Audit & Supervisory Board Member Mr. Yasuaki Isobe is an independent auditor as specified by the Tokyo Stock Exchange.
6. Audit & Supervisory Board Members, Mr. Yoshihiro Otake, Mr. Hirofumi Gotoh and Mr. Yasuaki Isobe, have many years of financial- and accounting-related experience and have sufficient financial and accounting knowledge.

**(2) Total Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for FY 2017**

Title	Number of payees	Amount of remuneration, etc. (million yen)
Director	7	155
Audit & Supervisory Board Member	4	30
Total	11	186

(Note) The above number of payees and amount of remuneration, etc. include one Director who retired during FY 2017.

**(3) Outside Officers**

1) Significant concurrent positions

Significant concurrent positions held by outside officers are as described on the previous page. There are no specific relationships between the Company and the organizations where the concurrent positions are held.

2) Main activities

Title	Name	Main activities
Director	Kazumi Nagasaki	Participated in all 12 Board of Directors' meetings held in FY 2017, and provided expert opinions, mainly as an experienced corporate manager, as necessary.
	Yutaka Hori	Participated in 11/12 Board of Directors' meetings held in FY 2017, and provided expert opinions, mainly as an attorney, as necessary.
Audit & Supervisory Board Member	Masato Tanaka	Participated in all 12 Board of Directors' meetings and in all 13 Audit & Supervisory Board meetings held in FY 2017; provided expert opinions, mainly as an attorney, as necessary.
	Yasuaki Isobe	Participated in all 12 Board of Directors' meetings and in all 13 Audit & Supervisory Board meetings held in FY 2017; provided expert opinions, mainly as an experienced corporate manager, as necessary.

3) Summary of contract for limitation of liability

The Company has concluded contracts for limitation of liability with Outside Directors, Mr. Kazumi Nagasaki and Mr. Yutaka Hori, and Outside Audit & Supervisory Board Members, Mr. Masato Tanaka and Mr. Yasuaki Isobe, to limit their liability as stipulated in Paragraph 1 of Article 423 of the Companies Act up to the total sum stipulated in Paragraph 1 of Article 425 of the Companies Act.

4) Total amount of remuneration, etc. to outside officers for FY 2017

	Number of payees	Amount of remuneration, etc. (million yen)
Total amount of remuneration, etc.	5	25

- (Notes) 1. The above number of payees and amount of remuneration, etc. include one Director who retired during FY 2017.  
2. No bonuses for outside officers have been paid and are payable.

(For reference) Corporate Officers

The Company has introduced the corporate officer system. In addition to all of the Directors (excluding Directors, Mr. Kazumi Nagasaki and Mr. Yutaka Hori) who are concurrently assuming the positions of the corporate officers, the following persons have been appointed as full-time Corporate Officers:

(As of December 31, 2017)

Position	Name	Areas of responsibility within the Company	Significant concurrent positions
Managing Officer	Katsumi Nihei	“In charge of Business Operation Center (deputy) (Sewing Machinery and Systems Business Unit)”	Managing Director of JUKI SINGAPORE PTE. LTD
Managing Officer	Toshimasa Miura	“In charge of Global Cooperate Center (Human Resources Dept.)”, “In charge of Secretariat”, “In charge of Internal Auditing Dept.”, “In charge of Internal Control and Compliance” and General Manager of Human Resources Dept.	

Position	Name	Areas of responsibility within the Company	Significant concurrent positions
Managing Officer	Yutaka Abe	“In charge of Global Cooperate Center (Corporate Planning Dept.)” and “In charge of Business Operation Center (deputy) (Sewing Machinery and Systems Business Unit)”	
Corporate Officer (“In charge of Group Companies”)	Satohiro Hama	Company President of Electronic Assembly Systems Company	Director and Managing Officer of JUKI AUTOMATION SYSTEMS CORPORATION
Corporate Officer (“In charge of Group Companies”)	Robert J. Black Jr.	“In charge of Europe & Americas Area Sales, Electronic Assembly Systems Company”	President and CEO of JUKI AUTOMATION SYSTEMS INC.
Corporate Officer	Hiroki Konishi		Chairman and General Manager of Head Office and General Manager of Sales of JUKI (CHINA) CO., LTD.
Corporate Officer (“In charge of Group Companies”)	Kikuo Takahashi	Company President of Group Business Company and Head of Akita Branch of Group Business Control Dept.	President of JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION
Corporate Officer	Takeshige Hamasoto	Deputy Executive Unit Officer of Sewing Machinery and Systems Business Unit and “In charge of Sewing Machinery and Systems Business Unit (Sales Promotion Dept., Non-apparel Company and Household Sewing Machinery Company)”	
Corporate Officer	Minoru Nitta	Deputy Executive Unit Officer of Sewing Machinery and Systems Business Unit	President of JUKI AMERICA, INC.
Corporate Officer	Kiyoshi Matsumoto	“In charge of Production Center (deputy) (in charge of Production Planning Dept. and in charge of Manufacturing Technology Dept.)” and “In charge of Global Cooperate Center (Information Systems Promotion Section, Corporate Planning Dept.)”	
Corporate Officer	Jirou Ishibashi	“In charge of Development Center (deputy)”	Corporate Officer “In charge of Development Center (deputy)” of JUKI AUTOMATION SYSTEMS CORPORATION
Corporate Officer	Masahiko Suzuki	General Manager of Finance & Accounting Dept.	
Corporate Officer	Kunio Nukui	General Manager of Group Business Control Dept., Group Business Company, and General Manager of Business & Product Planning Section	
Corporate Officer	Kenji Nakao		President of JUKI (VIETNAM) CO., LTD.

#### **4. Accounting Auditor**

##### **(1) Accounting Auditor's Name**

Deloitte Touche Tohmatsu LLC

##### **(2) Accounting Auditor's Remuneration, etc.**

- |  |                |
|--|----------------|
| 1) Remuneration to Accounting Auditor as provided in Paragraph 1 of Article 2 of the Certified Public Accountants Act of Japan | 61 million yen |
| 2) Total amount of cash and other property benefits payable by the Company and its subsidiaries to Accounting Auditor          | 65 million yen |

- (Notes) 1. The audit contract between the Company and Accounting Auditor does not clearly distinguish between remuneration, etc. paid for the audit conducted in accordance with the Companies Act and remuneration, etc. paid for the audit conducted in accordance with Financial Instruments and Exchange Act. It is practically impossible to make such a distinction. Accordingly, the amount specified in 1) above is the aggregate amount of remuneration, etc. for these two types of audits.
2. Among the principal subsidiaries, JUKI SINGAPORE PTE. LTD., JUKI (CHINA) CO., LTD., JUKI (SHANGHAI) INDUSTRIAL CO., LTD., TOKYO JUKI INTERNATIONAL TRADING (SHANGHAI) CO., LTD., JUKI CENTRAL EUROPE SP. Z.O.O., JUKI (NINGBO) PRECISION CO., LTD., JUKI (VIETNAM) CO., LTD., and JUKI XINXING INDUSTRY CO., LTD. are audited by audit corporations other than the Company's Accounting Auditor.

##### **(3) Reasons for the Audit & Supervisory Board's Agreement Regarding the Accounting Auditor's Remuneration, etc.**

The Audit & Supervisory Board has checked and reviewed the audit plan, the status of the execution of duties of the Accounting Auditor and the grounds for calculation of remuneration estimates. As a result of this review, the Audit & Supervisory Board consents to the remuneration for the Accounting Auditor in accordance with Paragraph 1 of Article 399 of the Companies Act.

##### **(4) Non-audit Operation**

No items to report.

##### **(5) Policy Regarding Determination of Termination or Nonrenewal of Appointment of Accounting Auditors**

If any of the reasons provided in the Paragraph 1 of Article 340 of the Companies Act applies to the Accounting Auditor, the Audit & Supervisory Board shall terminate the appointment of the Accounting Auditor with the full consensus of the Audit & Supervisory Board Members. In such cases, an Audit & Supervisory Board Member appointed by the Audit & Supervisory Board shall report on the termination and the reason for it at the first General Meeting of the Shareholders of the Company to be convened following the termination.

Moreover, the Audit & Supervisory Board shall determine the content of proposals for submission to the General Meeting of Shareholders of the Company relating to the termination or nonrenewal of Accounting Auditors if it judges that it is difficult for the Accounting Auditor to carry out its duties appropriately.

## **5. Systems to ensure that business is conducted properly**

The Company adopted a resolution on the “Basic policy to construct internal control system” at the Board of Directors’ meeting held on May 17, 2006. The final amendment was made on May 11, 2015, in conjunction with the amendment to the Companies Act and the Ordinance for Enforcement of the Companies Act, which went into effect on May 1, 2015.

### **(1) System to ensure that Directors execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation of the Company**

- 1) The Company shall establish the “JUKI Corporation Code of Conduct”, which shall provide the principles of the JUKI corporate philosophy as a legal entity, in order to make clear its positive attitude towards legal compliance.
- 2) The Company shall establish the “JUKI Group Code of Conduct”, a set of specific guidelines for the execution of duties, in order to make officers and employees proactively acknowledge the importance of compliance with laws and regulations.
- 3) The system for compliance and compliance management of the whole business group consisting of the Company and its subsidiaries (hereinafter “group companies”) shall be provided in the “Compliance Rules”.
- 4) The Company shall take a resolute attitude toward any antisocial individuals and organizations that adversely influence social order and sound corporate activities.

### **(2) System to store and control information related to Directors’ execution of duties**

- 1) The Company shall establish the “Rules for Retaining Important Documents”, and shall retain and control information related to the execution of duties by Directors in accordance with the said Rules.

### **(3) Rules and other systems for managing risk of loss of the Company and group companies**

- 1) The Company shall establish the “Risk Management Rules” to manage risks of the Company and all group companies.
- 2) The Company shall establish the “Risk Management Council” to examine significant risks the Company faces and prepare preventive measures against such risks, and shall manage each division’s and each department’s preventive measures activities against risks.
- 3) The “Crisis-Management Task Force” shall take prompt actions against any realized risks.

### **(4) System to ensure that Directors, etc. of the Company and group companies execute their duties efficiently**

- 1) In order to enable Directors to facilitate the prompt execution of their duties, the Company shall adopt a Corporate Officer system under which the Corporate Officers may be given some of the authority required for executing Directors’ duties.
- 2) Employees may be given some of the authority required for executing Directors’ duties in accordance with the “Authorization Rules”, for the purpose of efficient decision making.
- 3) Important decision-making matters shall be discussed at the “Management Strategy Council” and shall be decided by the President after such discussion.
- 4) Rules for executing Directors’ duties shall be provided in the “Organization Rules”, and Directors shall make efforts to efficiently execute their duties in accordance with the said Rules.

**(5) System to ensure that employees of the Company, and Directors, etc. and employees of group companies execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation of the Company**

- 1) The Company shall establish the “JUKI Corporation Code of Conduct”, which shall provide the principles of the JUKI corporate philosophy as a legal entity, in order to make clear its positive attitude towards legal compliance.
- 2) The Company shall establish the “JUKI Group Code of Conduct”, a set of specific guidelines for the execution of duties, in order to make employees proactively acknowledge the importance of compliance with laws and regulations.
- 3) The department in charge of handling legal affairs shall conduct activities to spread compliance education and compliance management for enhanced legal compliance.
- 4) The position of Corporate Officer in charge of Internal Control & Compliance shall be established, and this Officer shall be responsible for legal compliance and shall bear the duties of supervision of relevant organizations and their activities.
- 5) The system for compliance and compliance management of the Company and all group companies shall be provided in the “Compliance Rules”.
- 6) The Company shall establish a “Compliance Helpline” available for direct access by employees, for the purpose of making such Helpline available to respond to questions related to compliance raised by employees.

**(6) System to report to the Company of matters related to the execution of duties of Directors, etc. of group companies**

- 1) The group companies shall report the management policies and management plans to the Company at the “Group Management Conference”, and check and adjust them.
- 2) The group companies shall report to the Company regularly and as required, in accordance with the “Group companies management rules”.
- 3) The Directors, etc. of the group companies shall promptly report to the Corporate Officer in charge of Internal Control & Compliance of the Company on any event likely to cause significant damage to their group companies, any sign of fraudulence in the Directors’ execution of duties, any serious event in violation of laws and regulations or the Articles of Incorporation, and other events equivalent thereto.

**(7) Other systems to ensure the propriety of the business operations of the business group consisting of the Company and group companies**

- 1) The Company shall determine the management control system according to functional organization in its “Organization Rules” and “Group companies management rules”.
- 2) Decision making on the allocation of management resources in group companies shall be provided in the “Authorization Rules”.
- 3) The Company’s Internal Auditing Department shall conduct internal audits, as needed, on group companies.

**(8) Employees to be assigned at the request of Audit & Supervisory Board Members for their assistance**

- 1) The “Audit & Supervisory Board Members Section” directly reporting to the Audit & Supervisory Board Members shall be established as an organization to assist the Audit & Supervisory Board Members.

**(9) Independence from Directors of such employees as specified in the preceding item (8) and matters related to ensuring the effectiveness of instructions of Audit & Supervisory Board Members of the Company to such employees**

- 1) The Audit & Supervisory Board Members may express opinions on the personnel transfer and performance evaluation of the employees belonging to the “Audit & Supervisory Board Members Section”.
- 2) Employees belonging to the “Audit & Supervisory Board Members Section” shall follow the directions and instructions of the Audit & Supervisory Board Members and collect information necessary for the Audit & Supervisory Board Members’ audit promptly.

**(10) System for Directors, etc. and employees of the Company and group companies to report to Audit & Supervisory Board Members of the Company**

- 1) Full-time Audit & Supervisory Board Members shall attend the Board of Directors’ meetings, Management Strategy Council, Group Management Conference, Risk Management Council, and other important meetings, and collect necessary information by themselves.
- 2) Directors, etc. and employees of the Company and group companies shall promptly report to the Audit & Supervisory Board Members on any event likely to cause significant damage to the Company or group companies, any sign of fraudulence in the Directors’ execution of duties, any serious event in violation of laws and regulations or the Articles of Incorporation, and other events equivalent thereto.
- 3) Audit & Supervisory Board Members shall request the relevant departments of the Company and Directors, etc. and employees of group companies to directly report to them on any information the Audit & Supervisory Board Members deem to be necessary.

**(11) System to ensure that the reporting person of the preceding item (10) does not receive unfavorable treatment for making such report**

- 1) The Company shall state in the “Compliance Rules” that a person who has made a report to an Audit & Supervisory Board Member shall not receive unfavorable treatment for making such a report, and it shall give the widest possible publicity of this rule to Directors, etc. and employees of the Company and group companies.

**(12) Procedures for prepayment or reimbursement of costs arising from the execution of duties of the Audit & Supervisory Board Members and policy related to the handling of costs and liabilities arising from the execution of other duties**

- 1) The Company shall ensure the availability of funds to meet costs, etc. arising from the execution of duties of Audit & Supervisory Board Members by including a planned budget for Audit & Supervisory Board Members in annual budgeting.
- 2) The Company shall respond appropriately in the event of the expectation of the occurrence of costs judged by the Audit & Supervisory Board Member as necessary to ensure the effectiveness of audits, regardless of whether it was included in the budgeting of the previous sub-item.

**(13) Other systems to ensure that the Audit & Supervisory Board Members conduct audits effectively**

- 1) In addition to expressing their opinions at the Board of Directors’ meetings, the Audit & Supervisory Board Members shall exchange opinions with Representative Directors as needed in order to enhance the effectiveness of the Audit & Supervisory Board Members’ audits.
- 2) Audit & Supervisory Board Members shall conduct the Audit & Supervisory Board Members’ audit in cooperation with the Internal Auditing Department, as needed.
- 3) Audit & Supervisory Board Members shall conduct the Audit & Supervisory Board Members’ audit in cooperation with corporate attorneys and certified public accountants, as needed.



**(14) System to ensure the reliability of financial reporting**

- 1) The Company shall develop and manage systems for effective internal control over financial reporting, in order to ensure reliable financial reporting.

## **6. Overview of operation status of system to ensure that business is conducted properly**

An overview of the operation status of the system to ensure that business is conducted properly in FY2017 is as follows.

### **(1) System for compliance with laws and regulations**

- The “JUKI Group Code of Conduct” has been enacted, the contents of which is made simple and universal so that local employees overseas can easily understand. The Japanese version and Chinese and English translations have been distributed to ensure that each group employee has a thorough understanding of compliance.
- In accordance with the “Compliance Rules”, the Company and its group companies have been rigorously applying the system to ensure compliance.
- The Company has made a “Declaration with Regard to Antisocial Forces”, which is reflected in clauses of contracts.

### **(2) Risk management system**

- In accordance with the “Risk Management Rules”, the Company held the Risk Management Council once every quarter in principle to identify and evaluate risks, including those at group companies.
- The Crisis-Management Task Force takes prompt actions against any realized risk.

### **(3) System for Directors to execute their duties**

- Under the “Corporate Officer Rules”, “Authorization Rules”, and “Organization Rules”, the Company strives to ensure that duties are executed promptly and efficiently by Directors.
- The Management Strategy Council is held twice a month in principle, and decisions on important matters are made promptly.

### **(4) System for management of group companies**

- The Company has determined the management control system by functional organization in its “Organization Rules” and “Group Companies Management Rules”. The Group Management Conference was held once every half-year to report on management policies and management plans of group companies, and to check and adjust their implementation.

### **(5) Internal audits**

- Internal audits of group companies were conducted in accordance with an internal audit plan.
- Self-assessments centered on key matters and individual topics were carried out, targeting group companies and sites, and guidance for improvement was given based on the outcomes of these self-assessments.

### **(6) System relating to activities of the Audit & Supervisory Board Members**

- The “Audit & Supervisory Board Members Section” has been established as an organization to assist the Audit & Supervisory Board Members, and has been collecting necessary information.
- The Audit & Supervisory Board Members have been exchanging opinions with Representative Director once every three months.
- The Audit & Supervisory Board Members have been regularly exchanging information with certified public accountants regarding accounting audits, to ensure the effectiveness of the audits.

**Consolidated Financial Statements**  
(January 1, 2017 - December 31, 2017)

**Consolidated Balance Sheet**  
(As of December 31, 2017)

		(million yen)	
Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>79,102</b>	<b>Current liabilities</b>	<b>55,589</b>
Cash and deposits	6,407	Notes and accounts payable - trade	14,049
Notes and accounts receivable - trade	32,398	Short-term loans payable	34,548
Merchandise and finished goods	25,542	Lease obligations	98
Work in process	4,062	Accounts payable - other	1,132
Raw materials and supplies	7,048	Accrued expenses	3,537
Deferred tax assets	1,116	Income taxes payable	666
Other	2,925	Provision for bonuses	16
Allowance for doubtful accounts	(397)	Notes payable - facilities	164
<b>Non-current assets</b>	<b>31,451</b>	Forward exchange contracts	242
<b>Property, plant and equipment</b>	<b>23,545</b>	Other	1,132
Buildings and structures, net	12,452	<b>Non-current liabilities</b>	<b>21,621</b>
Machinery, equipment and vehicles, net	3,211	Long-term loans payable	15,668
Tools, furniture and fixtures, net	1,044	Lease obligations	237
Land	6,459	Provision for directors' retirement benefits	61
Leased assets, net	338	Net defined benefit liability	5,207
Construction in progress	38	Other	446
<b>Intangible assets</b>	<b>1,672</b>	<b>Total liabilities</b>	<b>77,211</b>
<b>Investments and other assets</b>	<b>6,234</b>	<b>(Net assets)</b>	
Investment securities	3,225	<b>Shareholders' equity</b>	<b>33,468</b>
Long-term loans receivable	2	Capital stock	18,044
Long-term prepaid expenses	248	Capital surplus	2,035
Deferred tax assets	887	Retained earnings	13,994
Net defined benefit asset	1,171	Treasury shares	(606)
Other	2,311	<b>Accumulated other comprehensive income</b>	<b>(742)</b>
Allowance for doubtful accounts	(1,612)	Valuation difference on available-for-sale securities	1,016
		Foreign currency translation adjustment	(1,966)
		Remeasurements of defined benefit plans	208
		<b>Non-controlling interests</b>	<b>617</b>
<b>Total assets</b>	<b>110,554</b>	<b>Total net assets</b>	<b>33,343</b>
		<b>Total liabilities and net assets</b>	<b>110,554</b>

(Note) Figures less than one million yen are rounded down to the nearest million.

**Consolidated Statement of Income**  
(January 1, 2017 - December 31, 2017)

(million yen)

Description	Amount	
<b>Net sales</b>		<b>103,659</b>
<b>Cost of sales</b>		<b>71,748</b>
<b>Gross profit</b>		<b>31,911</b>
<b>Selling, general and administrative expenses</b>		<b>23,755</b>
<b>Operating profit</b>		<b>8,156</b>
<b>Non-operating income</b>		
Interest income	62	
Dividend income	154	
Commission fee	223	
Other	400	840
<b>Non-operating expenses</b>		
Interest expenses	944	
Foreign exchange losses	93	
Other	118	1,157
<b>Ordinary profit</b>		<b>7,839</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	39	39
<b>Extraordinary losses</b>		
Loss on sales and retirement of non-current assets	47	
Loss on business restructuring	102	
Other	0	151
<b>Profit before income taxes</b>		<b>7,727</b>
Income taxes - current	1,319	
Income taxes - deferred	709	2,029
<b>Profit</b>		<b>5,697</b>
Profit attributable to non-controlling interests		54
<b>Profit attributable to owners of parent</b>		<b>5,642</b>

(Note) Figures less than one million yen are rounded down to the nearest million.

**Consolidated Statement of Changes in Equity**  
(January 1, 2017 - December 31, 2017)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,044	2,035	8,937	(605)	28,412
Changes of items during period					
Dividends of surplus			(585)		(585)
Profit attributable to owners of parent			5,642		5,642
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	5,056	(0)	5,056
Balance at end of current period	18,044	2,035	13,994	(606)	33,468

(million yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	839	(2,274)	28	(1,406)	576	27,582
Changes of items during period						
Dividends of surplus						(585)
Profit attributable to owners of parent						5,642
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	177	307	179	664	40	704
Total changes of items during period	177	307	179	664	40	5,761
Balance at end of current period	1,016	(1,966)	208	(742)	617	33,343

(Note) Figures less than one million yen are rounded down to the nearest million.

## Notes to Consolidated Financial Statements

### 1. Notes on the Basis for the Preparation of Consolidated Financial Statements, etc.

#### (1) Scope of consolidation

1) Number of consolidated subsidiaries: 27

Names of major consolidated subsidiaries:

JUKI AUTOMATION SYSTEMS CORPORATION, JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION, JUKI SINGAPORE PTE. LTD., JUKI (CHINA) CO., LTD., JUKI (SHANGHAI) INDUSTRIAL CO., LTD., and 22 other subsidiaries.

On July 1, 2017, JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION changed its company name from JUKI DENSHI KOGYO CORPORATION.

In addition, JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION acquired two of wholly owned subsidiaries of JUKI DENSHI KOGYO CORPORATION through an absorption-type merger on the aforementioned date.

2) Names of major non-consolidated subsidiaries:

Six non-consolidated subsidiaries, including JUKI MACHINERY VIETNAM CO., LTD., are excluded from the scope of consolidation because their exclusion does not preclude reasonable judgment on the Group's financial situation and management results as a whole.

#### (2) Application of equity-method

The six non-consolidated subsidiaries and NISSEN Co., Ltd. and three other associates are excluded from the scope of application of equity-method because their exclusion does not preclude reasonable judgment on the Group's financial situation and management results as a whole.

#### (3) Accounting periods of consolidated subsidiaries

The year-end balance sheet dates for all consolidated subsidiaries, other than JUKI INDIA PVT. LTD. whose balance sheet date is March 31, are the same as the consolidated balance sheet date. The financial statements of JUKI INDIA PVT. LTD. prepared on the basis of a provisional closing of accounts as of the consolidated balance sheet date are used in preparing the consolidated financial statements.

#### (4) Accounting policies

1) Standards and methods for valuation of important assets

##### A. Securities

Available-for-sale securities with market quotations

Stated based on the market price, etc. on the consolidated balance sheet date

(Unrealized gains and losses are excluded from income and reported in a separate component of net assets. The cost of sales is calculated using the moving-average method.)

Available-for-sale securities without market quotations

Stated at cost using the moving-average method

##### B. Derivatives

Stated mainly at market

##### C. Inventories

Stated at the lower of cost

Merchandise and finished goods and work in process

Mainly by the average method or first-in first-out method

Raw materials and supplies

Mainly by the average method or last cost method

2) Depreciation & amortization method for important depreciable assets

##### A. Property, plant and equipment (excluding leased assets)

The declining-balance method is applied for the Company and its domestic consolidated subsidiaries. However, the straight-line method is applied for buildings acquired on and after April 1, 1998 (excluding any building fixtures) and building fixtures and structures acquired on and after April 1, 2016. Overseas consolidated subsidiaries are mainly subject to the straight-line method.

The main economic useful lives are as follows:

Buildings and structures	6 - 50 years
Machinery, equipment and vehicles	2 - 15 years

Tools, furniture and fixtures

2 - 20 years

B. Intangible assets (excluding leased assets) and long-term prepaid expenses

The Company and its domestic consolidated subsidiaries use the straight-line method. However, software bundled with computer hardware is amortized every fiscal year by no less than an equal amount calculated based on effective years (2 - 5 years), and computer software for internal use is amortized by the straight-line method over the estimated useful life (5 years). Overseas consolidated subsidiaries are subject to the straight-line method.

C. Leased assets

Leased assets pertaining to finance leases without ownership transfer of the leased assets to the lessee

The straight-line method is applied on the assumptions that the useful life equals the lease term and the residual value is zero.

3) Standards for recognition of important reserves

A. Allowance for doubtful accounts

For loss caused by uncollectible debt to the Company and its domestic consolidated subsidiaries, an allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables and the estimated amount of irrecoverable debt based on the recoverability of individual cases for specified receivables such as debt with a possibility of default. For overseas consolidated subsidiaries, the estimated write-off amount is provided.

B. Provision for bonuses

A provision for bonuses is provided based on the estimated future payment of bonuses to employees.

C. Provision for directors' retirement benefits

The system of directors' retirement benefits was abolished with a cut-off date of June 28, 2007. The estimated amount payable as of the cut-off date is provided. The six consolidated subsidiaries provide the provision in an amount that would be required by the internal rule if all the eligible Directors retired at the balance sheet date.

4) Method of accounting for retirement benefits

A. Method of attributing expected retirement benefits to periods

In calculating the retirement benefit obligations, the benefit formula basis is used to attribute the expected retirement benefits to the period up to the end of the current fiscal year.

B. Method of recognizing actuarial gains and losses and past service cost

Actuarial gains and losses are amortized on a straight-line basis over a period equal to or less than the average remaining service period for employees at the time of each fiscal year in which such gains and losses are realized (10 years). The amortization of net gains and losses starts from the fiscal year immediately following the year in which such gains and losses are realized.

Past service cost is expensed wholly in the fiscal year in which it is realized.

C. Application of simplified accounting method by small-size enterprises

In calculating the liability for retirement benefits (net defined benefit liability) and retirement benefit expenses, certain consolidated subsidiaries apply a simplified accounting method in which retirement benefit obligations are determined based on the amount of retirement benefits required to pay if all eligible employees retired voluntarily at the balance sheet date.

5) Standards for translation of important assets or liabilities in foreign currencies into yen

Monetary assets and liabilities in foreign currencies are translated into yen based on the spot exchange-rate in the foreign exchange market on the consolidated balance sheet date, and the foreign exchange gains and losses from the translations are recognized in the income statement. Assets and liabilities of overseas consolidated subsidiaries are translated into yen based on the spot exchange-rate in the foreign exchange market on the consolidated balance sheet date, while revenue and expenses are translated into yen based on the average exchange rate for the fiscal term. The differences resulting from these translations are included in "Foreign currency translation adjustment" and "Non-controlling interests" under net assets.

6) Accounting for important hedging activities

A. Method

Deferred hedge accounting is applied.

Designation is applied to forward exchange contracts that qualify for designation, and designated exceptional accounting is applied to interest-rate swaps that qualify for exceptional accounting.

B. Means for hedging and hedged item

<u>Means for hedging</u>	<u>Hedged item</u>
Interest-rate swap	Long-term loans payable
Forward exchange contract	Foreign currency receivables (including forecast transactions)

C. Hedging policy

Based on internal rules, hedging is limited to transactions (including forecast transactions) in the scope of practical purposes under the management of the Company's department in charge of finance, and is undertaken to avoid future risks from fluctuations in interest rates and foreign exchange rates.

D. Method for assessing the effectiveness of hedges

At the start of hedging, the Company assesses the effectiveness of offset in interest rate or foreign exchange rate fluctuation. Then, during the period of hedging, the Company uses the predetermined assessment method to assess whether the high effectiveness of offset is maintained at every fiscal year-end. For forward exchange contracts, assessment of the effectiveness of hedges is omitted as important terms regarding hedged items and means for hedging are the same, and changes in the cash flow from foreign exchange rate fluctuations are expected to be completely offset. Assessment of the effectiveness of interest-rate swaps subject to designated exceptional accounting is also omitted.

7) Accounting for consumption taxes

The tax-exclusion method is applied for consumption tax and local consumption tax.

**2. Additional Information**

Effective from the current fiscal year, the Company has applied the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

**3. Notes to Consolidated Balance Sheet**

**(1) Assets offered as collateral and collateralized loans**

(Assets offered as collateral)

Buildings and structures	3,059 million yen
Machinery, equipment and vehicles	534 million yen
Land	2,399 million yen
Intangible assets	166 million yen
Investment securities	2,162 million yen
<b>Total</b>	<b>8,322 million yen</b>
of which assets offered as foundation mortgage	4,937 million yen

(Collateralized loans)

Short-term loans payable	22,551 million yen
Long-term loans payable	12,586 million yen
<b>Total</b>	<b>35,138 million yen</b>
of which loans collateralized as foundation mortgage	34,044 million yen

**(2) Accumulated depreciation of property, plant and equipment** **42,931 million yen**

The accumulated amount of impairment loss is included in the amount of accumulated depreciation.



#### 4. Notes to Consolidated Statement of Income

##### (1) Loss on business restructuring

This loss arose from the restructuring of sales subsidiaries in Europe belonging to the Electronic Assembly Systems Business.

#### 5. Notes to Consolidated Statement of Changes in Equity

##### (1) Type and total number of issued shares as of this fiscal year-end

Common shares 29,874,179 shares

##### (2) Dividends

###### 1) Dividends paid

Resolution	Type of stock	Source of dividend	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 28, 2017	Common shares	Retained earnings	585	20.00	December 31, 2016	March 29, 2017

###### 2) Dividends whose record date is during this fiscal year but whose effective date is after the end of this fiscal year

The following dividend for common shares will be proposed for approval at the Ordinary General Meeting of Shareholders to be held on March 26, 2018.

Proposal for Resolution	Type of stock	Source of dividend	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 26, 2018	Common shares	Retained earnings	1,025	35.00	December 31, 2017	March 27, 2018

(Dividend per share comprises an ordinary dividend of 25.00 yen and a commemorative dividend of 10.00 yen.)

## 6. Notes on Financial Instruments

### (1) Status of financial instruments

The Group procures necessary funds mainly by borrowing from financial institutions based on the capital investment plan. A temporary surplus fund is invested in financial assets that are highly secure.

For customer credit risk concerning trade receivables (notes and accounts receivable - trade), write-off risk is kept lower by the division in charge according to the credit control rules. Investment securities are mainly stocks and the market value of listed stocks is checked quarterly.

Borrowed money is used for working funds (mainly short-term) and capital investment funds (long-term). Interest-swap contracts are used against the interest fluctuation risk of some long-term loans payable, in order to fix the amount of interest expenses. Derivative transactions (related to foreign exchange and interest rate) are conducted only in the scope of practical purposes according to the internal control rules.

### (2) Fair value of financial instruments

The amounts posted on the consolidated balance sheet, fair values, and differences thereof as of December 31, 2017 (consolidated balance sheet date for this fiscal year) are as follows:

Financial instruments whose fair value is deemed to be difficult to identify are not included.

(million yen)			
	Consolidated balance sheet amount (*1)	Fair value (*1)	Difference
(1) Cash and deposits	6,407	6,407	–
(2) Notes and accounts receivable - trade (*2)	32,001	32,001	–
(3) Investment securities Other securities	2,808	2,808	–
(4) Notes and accounts payable - trade	[14,049]	[14,049]	–
(5) Short-term loans payable (*3)	[25,505]	[25,505]	–
(6) Long-term loans payable (*3)	[24,711]	[24,778]	66
(7) Derivative transactions			
of which hedge accounting is not applied	[242]	[242]	–

(\*1) Amounts for which the net total is payable are shown in [ ].

(\*2) Allowance for doubtful accounts on notes and accounts receivable - trade is deducted.

(\*3) Current portion of long-term loans payable, an item included in short-term loans payable in the consolidated balance sheet, is included in long-term loans payable here.

Note 1: Method for calculating the fair value of financial instruments

(1) Cash and deposits, and (2) Notes and accounts receivable - trade:

Since the settlement periods for the foregoing are short, the fair values thereof are almost equal to the carrying amount. Therefore, the corresponding carrying amount is used as the fair value.

(3) Investment securities:

The going share price on the exchange is used as the fair value.

(4) Notes and accounts payable - trade and (5) Short-term loans payable:

Since the settlement periods for the foregoing are short, the fair values thereof are almost equal to the carrying amount. Therefore, the corresponding carrying amount is used as the fair value.

(6) Long-term loans payable:

The fair value of long-term loans payable is calculated by discounting the sum of principal and interest by an interest rate assumed in cases where similar borrowing is to be newly conducted. The fair value of long-term loans payable with variable interest rates to which special treatment of interest rate swaps is applied (see (7) below) is calculated by discounting the sum of principal and

interest, which is treated in combination with the said interest rate swap, at a reasonably estimated rate applied to a similar new borrowing.

(7) Derivative transactions:

The fair value of derivative transactions is calculated based on the prices submitted by financial institutions.

The fair value of interest rate swaps to which special treatment is applied is included in the fair value of the hedged long-term loans payable, because these transactions are treated in combination with the said long-term loans payable (see (6) above).

Note 2: Non-listed stocks (416 million yen included in the consolidated balance sheet) are not included in “(3) Investment securities, Other securities” as the identification of the fair values is deemed to be extremely difficult because of the absence of market values and the inability to estimate future cash flows.

**7. Notes on Per Share Information**

<b>(1) Net assets per share</b>	1,117.07 yen
<b>(2) Basic earnings per share</b>	192.61 yen

**Non-consolidated Financial Statements**  
(January 1, 2017 - December 31, 2017)

**Non-consolidated Balance Sheet**  
(As of December 31, 2017)

(million yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>41,811</b>	<b>Current liabilities</b>	<b>44,288</b>
Cash and deposits	125	Notes payable - trade	1,731
Notes receivable - trade	391	Accounts payable - trade	5,809
Accounts receivable - trade	20,655	Short-term loans payable	20,640
Merchandise and finished goods	2,583	Short-term loans payable to subsidiaries and associates	1,434
Work in process	1,009	Lease obligations	53
Raw materials and supplies	90	Accounts payable - other	11,803
Accrued income	388	Accrued expenses	1,524
Short-term loans receivable	7,163	Income taxes payable	163
Accounts receivable - other	7,359	Deposits received	704
Deferred tax assets	217	Notes payable - facilities	115
Other	1,827	Forward exchange contracts	242
<b>Non-current assets</b>	<b>48,091</b>	Other	64
<b>Property, plant and equipment</b>	<b>13,863</b>	<b>Non-current liabilities</b>	<b>16,442</b>
Buildings, net	8,547	Long-term loans payable	13,290
Structures, net	121	Lease obligations	166
Machinery and equipment, net	349	Long-term accounts payable - other	8
Vehicles, net	3	Provision for retirement benefits	2,958
Tools, furniture and fixtures, net	273	Provision for directors' retirement benefits	3
Land	4,363	Other	15
Leased assets, net	201	<b>Total liabilities</b>	<b>60,731</b>
Construction in progress	2	<b>(Net assets)</b>	
<b>Intangible assets</b>	<b>948</b>	<b>Shareholders' equity</b>	<b>28,236</b>
Patent right	397	Capital stock	18,044
Software	519	Capital surplus	2,094
Leased assets	16	Legal capital surplus	2,094
Other	14	Retained earnings	8,703
<b>Investments and other assets</b>	<b>33,280</b>	Legal retained earnings	300
Investment securities	2,731	Other retained earnings	8,403
Shares of subsidiaries and associates	20,354	Retained earnings brought forward	8,403
Investments in capital of subsidiaries and associates	7,167	Treasury shares	(606)
Investments in capital	284	<b>Valuation and translation adjustments</b>	<b>935</b>
Long-term loans receivable from subsidiaries and associates	1,197	Valuation difference on available-for-sale securities	935
Long-term loans receivable from employees	2	<b>Total net assets</b>	<b>29,172</b>
Long-term accounts receivable from subsidiaries and associates	2,865	<b>Total liabilities and net assets</b>	<b>89,903</b>
Claims provable in bankruptcy, claims provable in rehabilitation and other	151		
Long-term prepaid expenses	68		
Deferred tax assets	693		
Other	45		
Allowance for doubtful accounts	(2,281)		
<b>Total assets</b>	<b>89,903</b>		

(Note) Figures less than one million yen are rounded down to the nearest million.

**Non-consolidated Statement of Income**  
(January 1, 2017 - December 31, 2017)

(million yen)

Description	Amount	
<b>Net sales</b>		<b>49,487</b>
<b>Cost of sales</b>		<b>40,595</b>
<b>Gross profit</b>		<b>8,891</b>
<b>Selling, general and administrative expenses</b>		<b>7,733</b>
<b>Operating profit</b>		<b>1,157</b>
<b>Non-operating income</b>		
Interest and dividend income	1,013	
Commission fee	1,046	
Other	373	2,433
<b>Non-operating expenses</b>		
Interest expenses	525	
Foreign exchange losses	256	
Other	15	797
<b>Ordinary profit</b>		<b>2,793</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	9	9
<b>Extraordinary losses</b>		
Loss on sales and retirement of non-current assets	0	
Other	0	0
<b>Profit before income taxes</b>		<b>2,802</b>
Income taxes - current	303	
Income taxes - deferred	341	644
<b>Profit</b>		<b>2,157</b>

(Note) Figures less than one million yen are rounded down to the nearest million.

**Non-consolidated Statement of Changes in Equity**  
(January 1, 2017 - December 31, 2017)

(million yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		
		Legal capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance at beginning of current period	18,044	2,094	2,094	241	6,890	7,131
Changes of items during period						
Provision of legal retained earnings				58	(58)	-
Dividends of surplus					(585)	(585)
Profit					2,157	2,157
Purchase of treasury shares						
Net changes of items other than shareholders' equity						
Total changes of items during period	-	-	-	58	1,513	1,571
Balance at end of current period	18,044	2,094	2,094	300	8,403	8,703

(million yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(605)	26,665	848	848	27,513
Changes of items during period					
Provision of legal retained earnings		-			-
Dividends of surplus		(585)			(585)
Profit		2,157			2,157
Purchase of treasury shares	(0)	(0)			(0)
Net changes of items other than shareholders' equity			86	86	86
Total changes of items during period	(0)	1,571	86	86	1,658
Balance at end of current period	(606)	28,236	935	935	29,172

(Note) Figures less than one million yen are rounded down to the nearest million.

## Notes to Non-consolidated Financial Statements

### 1. Notes on Significant Accounting Policies

#### (1) Standards and methods for valuation of assets

##### 1) Securities

Shares of subsidiaries and associates

Stated at cost using the moving-average method

Available-for-sale securities with market quotations

Stated based on the market price, etc. on the balance sheet date

(Unrealized gains and losses are excluded from income and reported in a separate component of net assets. The cost of sales is calculated using the moving-average method.)

Available-for-sale securities without market quotations

Stated at cost using the moving-average method

##### 2) Derivatives

Stated mainly at market

##### 3) Inventories

Stated at the lower of cost

Merchandise and finished goods and work in process      Using the average method

Raw materials and supplies      Using the last cost method

#### (2) Depreciation & amortization method for non-current assets

##### 1) Property, plant and equipment (excluding leased assets)

The declining-balance method is applied. However, the straight-line method is applied for buildings acquired on and after April 1, 1998 (excluding any building fixtures) and building fixtures and structures acquired on and after April 1, 2016.

The main economic useful lives are as follows:

Buildings      6 - 50 years

Structures      6 - 50 years

Machinery and equipment and vehicles      2 - 15 years

Tools, furniture and fixtures      2 - 20 years

##### 2) Intangible assets (excluding leased assets) and long-term prepaid expenses

The straight-line method is applied. However, computer software for internal use is amortized by the straight-line method over the estimated useful life (5 years).

##### 3) Leased assets

Leased assets pertaining to finance leases without ownership transfer of the leased assets to the lessee  
The straight-line method is applied on the assumptions that the useful life equals the lease term and the residual value is zero.

#### (3) Standards for recognition of reserves

##### 1) Allowance for doubtful accounts

For loss caused by uncollectible debt, an allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables and the estimated amount of irrecoverable debt based on the recoverability of individual cases for specified receivables such as debt with a possibility of default.

##### 2) Provision for retirement benefits

A provision for retirement benefits is provided based on the estimated retirement benefit obligation and plan assets as of this fiscal year-end.

###### A. Method of attributing expected retirement benefits to periods

In calculating the retirement benefit obligations, the benefit formula basis is used to attribute the expected retirement benefits to the period up to the end of the current fiscal year.

B. Method of recognizing actuarial gains and losses and past service cost  
 Actuarial gains and losses are amortized on a straight-line basis over a period equal to or less than the average remaining service period for employees at the time such gains and losses are realized (10 years). The amortization of net gains and losses starts from the fiscal year immediately following the year in which such gains and losses are realized.  
 Past service cost is expensed wholly in the fiscal year in which it is realized.

3) Provision for directors' retirement benefits  
 The system of directors' retirement benefits was abolished with a cut-off date of June 28, 2007. The estimated amount payable as of the cut-off date is provided.

**(4) Other significant basic matters for the preparation of financial statements**

1) Standards for translation of assets and liabilities in foreign currencies into yen  
 Monetary assets and liabilities in foreign currencies are translated into yen based on the spot exchange-rate in the foreign exchange market on the balance sheet date, and the foreign exchange gains and losses from the translations are recognized in the income statement.

2) Accounting for hedging activities

A. Method

Deferred hedge accounting is applied.

Designation is applied to forward exchange contracts that qualify for designation, and designated exceptional accounting is applied to interest-rate swaps that qualify for exceptional accounting.

B. Means for hedging and hedged item

Means for hedging	Hedged item
Interest-rate swap	Long-term loans payable
Forward exchange contract	Foreign currency receivables (including forecast transactions)

C. Hedging policy

Based on internal rules, hedging is limited to transactions (including forecast transactions) in the scope of practical purposes under the management of the department in charge of finance, and is undertaken to avoid future risks from fluctuations in interest rates and foreign exchange rates.

D. Method for assessing the effectiveness of hedges

At the start of hedging, the Company assesses the effectiveness of offset in interest rate or foreign exchange rate fluctuation. Then, during the period of hedging, the Company uses the predetermined assessment method to assess whether the high effectiveness of offset is maintained at every fiscal year-end. For forward exchange contracts, assessment of the effectiveness of hedges is omitted as important terms regarding hedged items and means for hedging are the same, and changes in the cash flow from foreign exchange rate fluctuations are expected to be completely offset. Assessment of the effectiveness of interest-rate swaps subject to designated exceptional accounting is also omitted.

3) Method of accounting for retirement benefits

The accounting methods for unrecognized actuarial gains and losses relating to retirement benefits are different from the accounting methods in the consolidated financial statements.

4) Accounting for consumption taxes

The tax-exclusion method is applied for consumption tax and local consumption tax.

**2. Additional Information**

Effective from the current fiscal year, the Company has applied the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).



### 3. Notes to Non-consolidated Balance Sheet

#### (1) Assets offered as collateral and collateralized loans

(Assets offered as collateral)

Buildings	516 million yen
Structures	14 million yen
Machinery and equipment	14 million yen
Land	637 million yen
Investment securities	2,162 million yen
<b>Total</b>	<b>3,345 million yen</b>
of which assets offered as foundation mortgage	1,183 million yen

(Collateralized loans)

Short-term loans payable	17,832 million yen
Long-term loans payable	11,382 million yen
<b>Total</b>	<b>29,214 million yen</b>
of which loans collateralized as foundation mortgage	29,214 million yen

**(2) Accumulated depreciation of property, plant and equipment 16,414 million yen**

#### (3) Guarantee liability

(million yen)

Guarantee	Guaranteed amount	Details
JUKI (CHINA) CO., LTD.	2,766	Guarantee on borrowing
JUKI SINGAPORE PTE. LTD.	2,599	Guarantee on borrowing
JUKI CENTRAL EUROPE SP. ZO.O.	941	Guarantee on borrowing
JUKI (VIETNAM) CO., LTD.	919	Guarantee on borrowing
<b>Total</b>	<b>7,226</b>	

#### (4) Monetary receivables from and payables to subsidiaries and associates (excluding accounting items presented separately)

Short-term monetary receivables	35,015 million yen
Short-term monetary payables	17,190 million yen

### 4. Notes to Non-consolidated Statement of Income

Transactions with subsidiaries and associates	
Net sales	46,984 million yen
Purchase	26,137 million yen
Other operating transactions	2,756 million yen
Transactions other than operating transactions	2,571 million yen

### 5. Notes to Non-consolidated Statement of Changes in Equity

Type and number of treasury shares as of this fiscal year-end	
Common shares	577,787 shares

## 6. Notes on Tax Effect Accounting

Major causes for accrual of deferred tax assets and deferred tax liabilities

(million yen)

- Current:	
Deferred tax assets:	
Loss on valuation of inventories	85
Income taxes payable	34
Loss brought forward	162
Other	20
Total	<u>302</u>
Valuation allowance	<u>(85)</u>
Total deferred tax assets	<u>217</u>
- Noncurrent:	
Deferred tax assets:	
Provision for retirement benefits	905
Provision for directors' retirement benefits	1
Allowance for doubtful accounts	698
Impairment loss	62
Loss on valuation of shares of subsidiaries and associates	2,379
Loss on valuation of investments in capital of subsidiaries and associates	248
Other	670
Total	<u>4,966</u>
Valuation allowance	<u>(3,998)</u>
Total deferred tax assets	<u>968</u>
Offset to deferred tax liabilities	<u>(275)</u>
Net deferred tax assets	<u>693</u>
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	<u>275</u>
Total deferred tax liabilities	<u>275</u>
Offset to deferred tax assets	<u>(275)</u>
Net deferred tax liabilities	<u>-</u>

**7. Notes on Transactions with Related Parties**  
Subsidiaries and associates

Category	Company name	Ownership of voting rights, etc. (Ownership percentage)	Relationship with the related parties	Transaction details	Transaction amounts (million yen)	Receivables or payables on transactions	
						Account item	Fiscal year-end balance (million yen)
Subsidiaries	JUKI SINGAPORE PTE. LTD.	Direct ownership 100%	Sales and maintenance of the Company's products	Sales of products	21,468	Accounts receivable - trade	13,183
				Debt guarantee	2,599	-	-
				Underwriting of capital increase	2,429	-	-
	JUKI (CHINA) CO., LTD.	Direct ownership 100%	Sales and maintenance of the Company's products	Provision of loan	1,765	Long-term loans receivable from subsidiaries and associates	1,197
				Recovery of funds	4,689	-	-
				Receipt of interest	75	-	-
				Debt guarantee	2,766	-	-
	JUKI AUTOMATION SYSTEMS CORPORATION	Direct ownership 91.8%	Sales and maintenance of the Company's products	Purchase of products	- (*)	Accounts payable - other	11,465
				Provision of loan	950	Short-term loans receivable	6,800
				Recovery of funds	350	-	-
				Receipt of interest	23	-	-
				Trademark fee income, etc.	304	Accrued income	48
	JUKI CENTRAL EUROPE SP. ZO.O.	Direct ownership 100%	Sales and maintenance of the Company's products	Sales of products	6,731	Accounts receivable - trade	2,937
				Debt guarantee	941	-	-
	JUKI (HONG KONG) LTD.	Direct ownership 100%	Sales and maintenance of the Company's products	Borrowing of fund	1,150	Short-term loans payable	904
				Repayment of fund	922	-	-
				Payment of interest	19	-	-

Category	Company name	Ownership of voting rights, etc. (Ownership percentage)	Relationship with the related parties	Transaction details	Transaction amounts (million yen)	Receivables or payables on transactions	
						Account item	Fiscal year-end balance (million yen)
	JUKI AUTOMATION SYSTEMS INC.	Indirect ownership 100%	Sales and maintenance of the Company's products	Sales of products	-	Accounts receivable - other	578
						Long-term accounts receivable from subsidiaries and associates	285
	JUKI AUTOMATION SYSTEMS GMBH	Direct ownership 100%	Sales and maintenance of the Company's products	Sales of products	-	Accounts receivable - other	1,479
						Long-term accounts receivable from subsidiaries and associates	967
	JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION	Direct ownership 100%	Manufacture of the Company's products	Receipt of collateral	(Note 3)	-	-
Subsidiaries	JUKI (SHANGHAI) INDUSTRIAL CO., LTD.	Direct ownership 27.5% Indirect ownership 72.5%	Manufacture of the Company's products	Purchase of products	8,506	Accounts payable - trade	1,913
				Technical advisory fee income, etc.	484	Accrued income	136
	JUKI AMERICA, INC.	Direct ownership 100%	Sales and maintenance of the Company's products	Sales of products	7,402	Accounts receivable - trade	1,016
	JUKI (VIETNAM) CO., LTD.	Direct ownership 100%	Manufacture of the Company's products	Debt guarantee	919	-	-
	JUKI SMT ASIA CO., LTD.	Direct ownership 100%	Sales and maintenance of the Company's products	Sales of products	-	Accounts receivable - other	173
Long-term accounts receivable from subsidiaries and associates						1,109	

Category	Company name	Ownership of voting rights, etc. (Ownership percentage)	Relationship with the related parties	Transaction details	Transaction amounts (million yen)	Receivables or payables on transactions	
						Account item	Fiscal year-end balance (million yen)
	JUKI SALES (JAPAN) CORPORATION	Direct ownership 100%	Sales and maintenance of the Company's products	Sales of products	3,384	Accounts receivable - trade	1,525
	JUKI INDIA PVT. LTD.	Indirect ownership 100%	Sales and maintenance of the Company's products	Sales of products	586	Accounts receivable - trade	773
	JUKI INDIA PVT. LTD.	Indirect ownership 100%	Sales and maintenance of the Company's products	Sales of products	586	Long-term accounts receivable from subsidiaries and associates	502
	TOKYO JUKI INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Direct ownership 100%	Sales and maintenance of the Company's products	Sales of products	— (*)	Accounts receivable - other	3,228

Terms for transactions and policies to decide them:

- (Notes)
1. Terms for sales and purchases are decided in consideration of factors such as market prices.
  2. Loan rates are reasonably decided in consideration of market interest rates and the financial status of borrowers.
  3. Real estate owned by JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION has been received as collateral against the Company's borrowings from financial institutions (revolving mortgage at a maximum 2,000 million yen). No fees connected with collateral pledging have been paid.
  4. The underwriting of capital increase was a capital increase by shareholder allotment underwritten by JUKI SINGAPORE PTE. LTD.
  5. Technical advisory fee income etc. are decided in consideration of factors such as market prices.
  6. Debt guarantee for JUKI SINGAPORE PTE. LTD., JUKI (CHINA) CO., LTD., JUKI CENTRAL EUROPE SP. ZO.O. and JUKI (VIETNAM) CO., LTD. is provided with regard to borrowing from banks. A fixed debt guarantee charge has been received.
  7. 2,130 million yen in allowance for doubtful accounts has been recorded regarding claims to long-term accounts receivable from subsidiaries and associates with a possibility of default above. In relation to this allowance, a total of 546 million yen of provision of allowance for doubtful accounts has been recorded in the current fiscal year.
  8. For interest received on long-term accounts receivable from subsidiaries etc., market interest rates and the financial status of counterparties are taken into consideration. No interest has been received from JUKI INDIA PVT. LTD.
  9. Transaction amounts do not include consumption taxes. The fiscal year-end balance includes consumption taxes.

(\*)Because the Company has been carrying out sales transactions as the agent of JUKI AUTOMATION SYSTEMS CORPORATION in the Electronic Assembly Systems Business since August 1, 2013, the amounts in the non-consolidated statement of income are presented with the balance of the said sales transactions offset against the balance of purchase transactions. The balance of sales to TOKYO JUKI INTERNATIONAL TRADING (SHANGHAI) CO., LTD. is 8,709 million yen, the balance of sales to JUKI AUTOMATION SYSTEMS INC. is 1,484 million yen, the balance of sales to JUKI AUTOMATION SYSTEMS GMBH is 1,730 million yen, the balance of sales to JUKI SMT ASIA CO., LTD. is 172 million yen, and the balance of purchases from JUKI AUTOMATION SYSTEMS CORPORATION is 15,468 million yen.

## 8. Notes on Per Share Information

(1) Net assets per share	995.75 yen
(2) Basic earnings per share	73.66 yen

(English Translation)

Certified copy of Accounting Auditor's audit report on the Consolidated Financial Statements

**Independent Auditor's Report**

February 6, 2018

To the Board of Directors  
JUKI CORPORATION

Deloitte Touche Tohmatsu LLC

Yoshiyuki Higuchi, CPA  
Designated Unlimited Liability Partner,  
Engagement Partner  
Kentaro Sugimoto, CPA  
Designated Unlimited Liability Partner,  
Engagement Partner

Pursuant to Paragraph 4 of Article 444 of the Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements of JUKI CORPORATION (the "Company") for the fiscal term from January 1, 2017 to December 31, 2017.

**The responsibility of management concerning the consolidated financial statements**

The responsibility of management is to prepare consolidated financial statements in accordance with business accounting standards generally accepted in Japan and present appropriate accounting information. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of consolidated financial statements free of material misstatement due to fraud or error and the presentation of appropriate accounting information.

**The responsibility of independent auditors**

Our responsibility is to express an opinion independently on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement.

In audits, procedures are conducted in order to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. Audit procedures are chosen and applied in accordance with our judgment, based on the risk assessment of material misstatement in the consolidated financial statements due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of internal controls. However, we examine internal controls related to the preparation of consolidated financial statements and the appropriate presentation in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances. An audit includes assessing the accounting policies used, its application method and estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

**Audit opinion**

In our opinion, the above consolidated financial statements fairly present, in every material aspect, the financial position and results of operations of the Group consisting of the Company and its consolidated subsidiaries for the relevant term of the consolidated financial statements, in accordance with the business accounting standards generally accepted in Japan.

Interests in the Company

Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

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*Notice to Readers:*

The original consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to consolidated financial statements, are written in Japanese.



(English Translation)

Certified copy of Accounting Auditor's audit report on the Non-consolidated Financial Statements

**Independent Auditor's Report**

February 6, 2018

To the Board of Directors  
JUKI CORPORATION

Deloitte Touche Tohmatsu LLC

Yoshiyuki Higuchi, CPA  
Designated Unlimited Liability Partner,  
Engagement Partner  
Kentaro Sugimoto, CPA  
Designated Unlimited Liability Partner,  
Engagement Partner

Pursuant to Paragraph 2-Item 1 of Article 436 of the Companies Act, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements, and the supplementary schedules of JUKI CORPORATION (the "Company") for the 103rd fiscal term from January 1, 2017 to December 31, 2017.

**The responsibility of management concerning the non-consolidated financial statements, etc.**

The responsibility of management is to prepare non-consolidated financial statements and the supplementary schedules in accordance with business accounting standards generally accepted in Japan and present appropriate accounting information. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of non-consolidated financial statements, and the supplementary schedules, free of material misstatement due to fraud or error and the presentation of appropriate accounting information.

**The responsibility of independent auditors**

Our responsibility is to express an opinion independently on the non-consolidated financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the non-consolidated financial statements and the supplementary schedules are free of material misstatement.

In audits, procedures are conducted in order to obtain audit evidence supporting the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. Audit procedures are chosen and applied in accordance with our judgment, based on the risk assessment of material misstatement in the non-consolidated financial statements, and the supplementary schedules, due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of internal controls. However, we examine internal controls related to the preparation of non-consolidated financial statements, and the supplementary schedules, and the appropriate presentation in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances. An audit includes assessing the accounting policies used, its application method and estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

**Audit opinion**

In our opinion, the above non-consolidated financial statements and supplementary schedules fairly present, in every material aspect, the financial position and results of operations of the Company for the relevant term of the non-consolidated financial statements and the supplementary schedules, in accordance with the business accounting standards generally accepted in Japan.

Interests in the Company

Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

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*Notice to Readers:*

The original non-consolidated financial statements, which consist of the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity and the notes to non-consolidated financial statements, and the supplementary schedules thereof, are written in Japanese.

(English Translation)

Certified copy of the Audit & Supervisory Board's audit report

### **Audit Report**

The Audit & Supervisory Board, following review and deliberations on the reports made by each Audit & Supervisory Board Member concerning the execution of duties by Directors for the 103rd fiscal term from January 1, 2017 to December 31, 2017, prepared this Audit Report and hereby submits it as follows:

#### 1. Summary of Auditing Methods by Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board established auditing policies and the division of duties, received reports regarding the status of audits and the results thereof from each Audit & Supervisory Board Member, received reports regarding the status of the execution of duties from Directors and the Accounting Auditor, and requested explanation as necessary.
- (2) In accordance with the auditing standards for Audit & Supervisory Board Members determined by the Audit & Supervisory Board, and in compliance with auditing policies and the division of duties, each Audit & Supervisory Board Member made efforts to collect information and establish auditing circumstances through communication with Directors, internal audit staff and other employees, and perform the audit in accordance with the following procedures.
  1. Each Audit & Supervisory Board Member attended the Board of Directors' meetings and other important meetings to receive reports regarding execution of duties from Directors and employees, and requested explanations as necessary. Each Audit & Supervisory Board Member also inspected the approved documents and examined the status of operations and conditions of assets at the head office and principal offices. And each Audit & Supervisory Board Member communicated and shared information with the directors, auditors, etc. of the subsidiaries and received from the subsidiaries their business reports as necessary.
  2. Each Audit & Supervisory Board Member verified the resolutions adopted by the Board of Directors regarding the establishment of a system for ensuring that the Directors' duties, as stated in the business report, are executed in conformity of laws and regulations, and the Articles of Incorporation of the Company, and the establishment of a system necessary to ensure proper business operations of the whole business group consisting of a stock company and its subsidiaries set forth in Paragraphs 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act. It also regularly received reports from Directors and employees on the status of the establishment and operation of the system (internal control system) established in accordance with such resolutions adopted by the Board of Directors, and requested explanations as necessary and expressed his/her opinions. With regard to the internal control over financial reporting, Audit & Supervisory Board Members received reports from Directors and Deloitte Touche Tohmatsu LLC on the status of discussion between them and the evaluation of such internal control and the status of audit, and requested explanations as necessary.
  3. Audit & Supervisory Board Members monitored and verified that the Accounting Auditor maintains independence and conduct the audits appropriately. Each Audit & Supervisory Board Member also received reports on the status of the execution of duties from Accounting Auditor and requested explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)) from the Accounting Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements), the supplementary schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements) for the fiscal term ended December 31, 2017.

## 2. Results of Audit

### (1) Results of Audit of Business Report and Other Relevant Documents

1. The business report and supplementary schedules present fairly the financial condition of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
2. Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws and regulations, nor of the Articles of Incorporation of the Company.
3. The resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional comment regarding the contents of the business report on such internal control and the execution of duties by Directors. With regard to the internal control over financial reporting, the Audit & Supervisory Board received reports from Directors and Deloitte Touche Tohmatsu LLC that there were no material defects as of the date this audit report was prepared.

### (2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules

The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

### (3) Results of Audit of Consolidated Financial Statements

The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

February 8, 2018

Audit & Supervisory Board, JUKI CORPORATION

Audit & Supervisory Board Member (Full-time)	Yoshihiro Otake
Audit & Supervisory Board Member (Full-time)	Hirofumi Gotoh
Audit & Supervisory Board Member	Masato Tanaka
Audit & Supervisory Board Member	Yasuaki Isobe

(Note) Audit & Supervisory Board Members Masato Tanaka and Yasuaki Isobe are Outside Audit & Supervisory Board Members who are required to be appointed in accordance with Item 16 of Article 2 and Paragraph 3 of Article 335 of the Companies Act.

## Reference Materials for the Ordinary General Meeting of Shareholders

### Proposals and Reference Information

#### First proposal: Appropriation of Surplus

For distribution of profit, we maintain the basic policy of striving to improve the return of profit to our shareholders based on the stable payment of dividends in comprehensive consideration of factors such as the results of the current fiscal year and the internal reserve provided for future business development.

In accordance with this policy, the Company proposes to pay year-end dividends for the 103rd fiscal year of 35.00 yen per share, comprising an ordinary dividend of 25.00 yen and a commemorative dividend of 10.00 yen for this year to mark the 80th anniversary of the Company's foundation.

#### Year-end dividend

**(1) Type of dividend assets**

Cash

**(2) Distribution of dividend assets to shareholders and the total amount of dividends**

Payment of 35.00 yen per share of common shares (ordinary dividend: 25.00 yen; commemorative dividend: 10.00 yen)

Total amount of dividends: 1,025,373,720 yen

**(3) Effective date of distribution of surplus**

March 27, 2018

## Second proposal: Election of 6 Directors

The term of office of all (6) Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of 6 Directors (including 2 Outside Directors) is proposed.

The candidates for Directors are as follows:

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Akira Kiyohara (November 26, 1951)	April 1974      Joined Fuji Bank Limited (currently Mizuho Bank, Ltd.) April 2002      Executive Officer and General Manager of Corporate Planning Dept. of Mizuho Bank, Ltd. March 2003      Managing Executive Officer, ditto March 2007      President of Mizuho Capital Co., Ltd. May 2009      Joined the Company, Advisor June 2009      Senior Managing Director, CAO, and CCO July 2009      Senior Managing Director, CFO, CAO, and CCO June 2010      President August 2013      President, and President of JUKI AUTOMATION SYSTEMS CORPORATION (Present)	30,600 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	Shinsuke Uchinashi (March 26, 1957)	<p>April 1979      Joined Fuji Bank Limited (currently Mizuho Bank, Ltd.)</p> <p>August 2004    General Manager of Kamata Branch, Mizuho Bank, Ltd.</p> <p>April 2010      Executive Officer and General Manager of Credit Supervision Division IV, ditto</p> <p>May 2011        Joined the Company, Senior Executive Operating Officer</p> <p>March 2013      Managing Officer “In charge of Administration Center (Corporate Administration Dept. and Finance &amp; Accounting Dept.)”</p> <p>March 2014      Managing Officer “In charge of Administration Center (Finance &amp; Accounting Dept.)” and “In charge of Production Center”</p> <p>November 2015   Managing Officer “In charge of Administration Center (Finance &amp; Accounting Dept.)”, “In charge of Business Development Center” and “In charge of Production Center”</p> <p>January 2017    Managing Officer “In charge of Global Cooperate Center (Finance &amp; Accounting Dept.)”, “In charge of Business Operation Center (Group Business Company)” and “In charge of Production Center”</p> <p>March 2017      Director and Managing Officer “In charge of Global Cooperate Center (Finance &amp; Accounting Dept.)”, “In charge of Business Operation Center (Group Business Company)” and “In charge of Production Center”</p> <p>January 2018    Director and Managing Officer “In charge of Global Cooperate Center (Corporate Planning Dept. and Finance &amp; Accounting Dept.)”, “In charge of Business Operation Center (Group Business Company)” and “In charge of Production Center” (Present)</p>	11,700 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	Minoru Wada (February 9, 1953)	<p>July 1982      Joined the Company</p> <p>January 2001    General Manager of Development Technology Dept., Industrial Sewing Machine Production Headquarters, Ohtawara Plant</p> <p>August 2002    General Manager of Quality Assurance Dept., Industrial Sewing Machine Div.</p> <p>April 2003      General Manager of Development II Dept., Electronic Assembly and Test Systems Div.</p> <p>July 2006       Corporate Officer and President of JUKI DENSHI KOGYO CORPORATION</p> <p>August 2012     Senior Executive Operating Officer “In charge of Production Center (deputy)”</p> <p>October 2013    Managing Officer “In charge of Development Center (deputy)”</p> <p>October 2014    Managing Officer “In charge of Development Center (Sewing Machinery Development Dept.)”, and “In charge of Quality Assurance Dept.”</p> <p>March 2016     Director and Managing Officer “In charge of Development Center”, and “In charge of Quality Assurance Dept.” (Present)</p>	16,400 shares
4	Toshimasa Miura (December 23, 1955)	<p>December 1983    Joined the Company</p> <p>July 1986        General Manager of Administration Dept. of JUKI AMERICA, INC.</p> <p>October 1998    General Manager of Sales Administration Dept., Marketing and Sales HQ, Industrial Sewing Machine Div.</p> <p>April 2002      HQ General Manager of Planning and Administration HQ, Industrial Sewing Machine Div. and General Manager of Business &amp; Product Planning Dept.</p> <p>November 2004   General Manager of Market Research Dept.</p> <p>October 2007    Corporate Officer and General Manager of Human Resources Dept.</p> <p>February 2016   Corporate Officer, General Manager of Human Resources Dept. and General Manager of Internal Auditing Dept.</p> <p>March 2017     Managing Officer “In charge of Global Cooperate Center (Human Resources Dept.)”, “In charge of Secretariat”, “In charge of Internal Auditing Dept.”, “In charge of Internal Control and Compliance” and General Manager of Human Resources Dept.</p> <p>January 2018    Managing Officer “In charge of Global Cooperate Center (Human Resources Dept. and General Affairs Dept.)”, “In charge of Secretariat”, “In charge of Internal Auditing Dept.” and “In charge of Internal Control and Compliance” (Present)</p>	14,400 shares





### Third proposal: Election of 2 Substitute Audit & Supervisory Board Members

In order to prepare for a case in which the number of Audit & Supervisory Board Members falls short of the number stipulated by laws and regulations, the election of 2 substitute Audit & Supervisory Board Members is proposed.

The Audit & Supervisory Board consented to the proposal of this resolution.

The candidates for substitute Audit & Supervisory Board Members are as follows:

No.	Name (Date of birth)	Career summary, positions, and significant concurrent positions	Number of shares of the Company held
1	Yoshihiro Otake (December 23, 1951)	<p>April 1980      Joined the Company</p> <p>July 1999      General Manager of Accounting Dept., Accounting HQ</p> <p>July 2005      Corporate Officer and General Manager of Accounting Dept.</p> <p>June 2006      Director and General Manager of Accounting Dept.</p> <p>November 2006      Director, CFO, and General Manager of Accounting Dept.</p> <p>June 2010      Corporate Officer and Head of Accounting Center</p> <p>April 2011      Corporate Officer and General Manager of Finance &amp; Accounting Dept.</p> <p>June 2011      Full-time Audit &amp; Supervisory Board Member</p> <p>August 2013    Full-time Audit &amp; Supervisory Board Member, and Audit &amp; Supervisory Board Member of JUKI AUTOMATION SYSTEMS CORPORATION (Present)</p>	47,900 shares
2	Mitsuhiro Shinoda (November 23, 1953)	<p>April 1978      Joined Ricoh Company, Ltd.</p> <p>October 2000    General Manager of Group Management Department of Corporate Planning Division, ditto</p> <p>April 2001      General Manager of Audit Office, ditto</p> <p>June 2003      General Manager of Finance Department of Finance &amp; Accounting Division and Manager of Finance Section, ditto</p> <p>April 2007      General Manager of Internal Management &amp; Control Division, ditto</p> <p>January 2010    Director and General Manager of Corporate Planning Division of Ricoh Chubu Co., Ltd.</p> <p>June 2011      Audit &amp; Supervisory Board Member of Rico Company, Ltd.</p> <p>June 2016      Retired as Audit &amp; Supervisory Board Member, ditto</p>	0 shares

- (Notes) 1. The above candidates for substitute Audit & Supervisory Board Members have no special interest with the Company.
2. Mr. Yoshihiro Otake is substitute for Audit & Supervisory Board Members, and Mr. Mitsuhiro Shinoda is substitute for Outside Audit & Supervisory Board Members.
3. Mr. Yoshihiro Otake is currently a full-time Audit & Supervisory Board Member of the Company, and his term of office will expire at the conclusion of this General Meeting of Shareholders.
4. The reasons for nominating of Mr. Yoshihiro Otake is that he is expected to appropriately provide advice and conduct audits based on his sufficient finance and accounting knowledge and his many years of accounting experience, and his solid achievement as a full-time Audit & Supervisory Board Member of the Company for 6 years and 9 months.
5. The reasons for nominating of Mr. Mitsuhiro Shinoda is that he is expected to appropriately provide advice and conduct audits based on his corporate finance, internal controls, and audit

division experience, as well as his experience as an Audit & Supervisory Board Member. In addition, he has sufficient financial and accounting knowledge.

6. Upon the approval of the election of Mr. Mitsuhiro Shinoda in this proposed resolution, the Company will conclude a “Contract for Limitation of Liability” with him for the purpose of limiting his liability, as provided for in Paragraph 1 of Article 423 of the Companies Act, in accordance with Article 43 of the Company’s Articles of Incorporation. The maximum amount of liability under said contract is the amount provided for in the applicable laws and regulations.
7. The Company may cancel the election of substitute Audit & Supervisory Board Members before they assume office as Audit & Supervisory Board Members. The cancellation shall be resolved by a majority of the Board of Directors and shall require the consent of the Audit & Supervisory Board.